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SUBJ: RISK MITIGATION FISCAL PLANNING
UNCLASSIFIED/
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SUBJ/RISK MITIGATION FISCAL PLANNING//

RMKS/1. THIS IS AN UPDATE ON THE CURRENT FISCAL SITUATION FACING THE NAVY AND MARINE CORPS AS CONGRESS CONTINUES TO WORK TOWARD A DEFICIT REDUCTION PLAN TO AVOID THE DAMAGING EFFECTS OF SEQUESTRATION AND TO PASS A BUDGET TO END THE EQUALLY DELETERIOUS EFFECTS OF THE CONTINUING RESOLUTION (CR) UNDER WHICH WE HAVE OPERATED SINCE THE FISCAL YEAR BEGAN OCTOBER 1, 2012.

2. SEQUESTRATION WAS DELAYED FOR TWO MONTHS IN THE AMERICAN TAXPAYER RELIEF ACT (ATRA) PASSED BY CONGRESS ON 1 JANUARY, CREATING MORE TIME TO AGREE ON DEFICIT REDUCTION, BUT GIVING THE DEPARTMENT OF DEFENSE LESS TIME TO MITIGATE SPENDING CUTS IF NO AGREEMENT CAN BE REACHED.

3. BUT DON (AND ALL OF DOD) FACE AN EQUAL BUT MORE IMMEDIATE FISCAL CHALLENGE BECAUSE OF THE LACK OF AN FY-13 APPROPRIATIONS BILL, WHICH HAS LEFT US OPERATING UNDER THE CR, WHICH LOCKS OUR BUDGET INTO LOWER FY-12 LEVELS FOR OUR OPERATIONS AND MAINTENANCE ACCOUNTS DESPITE INCREASING RESPONSIBILITIES WHICH DEMAND INCREASED RESOURCES.

4. BECAUSE SEQUESTRATION WAS DELAYED, OUR FOCUS MUST NOW SHIFT TO THE IMPACTS OF THE CR, WHICH CREATES SIGNIFICANT SHORTFALLS IN OPERATION & MAINTENANCE, NAVY (OMN) AND MARINE CORPS (OMMC) ACCOUNTS AND THE RESULTANT STEPS WE MUST TAKE TO MAINTAIN A MINIMUM LEVEL OF PRESENCE. UNLESS A SPENDING BILL IS PASSED QUICKLY BY THE NEW CONGRESS, WE MAY BE FORCED TO OPERATE UNDER THE SAME CR THAT HAS BEEN SUSTAINING US SINCE THE BEGINNING OF THIS FISCAL YEAR. THIS CR IS SET TO EXPIRE AT THE END OF MARCH. SHOULD CONGRESS DECIDE TO EXTEND THE CR THROUGH THE END OF FY-13, THE NAVY AND MARINE CORPS WOULD NOT HAVE ENOUGH MONEY TO MEET FY-13 REQUIREMENTS IN THESE ACCOUNTS.

5. WE EXPECT TO RECEIVE FY-13 OVERSEAS CONTINGENCY OPERATIONS (OCO) FUNDING; HOWEVER, THOSE FUNDS ARE EARMARKED FOR SUPPORT OF CRITICAL WARFIGHTING REQUIREMENTS AND WOULD NOT PROVIDE ANY SIGNIFICANT RELIEF TO OUR BASELINE OPERATING ACCOUNTS. WE PROJECT A SHORTFALL OF OVER \$4 BILLION IN OUR BASE O&M ACCOUNTS WHICH FUNDS NAVY AND MARINE CORPS READINESS.

6. GIVEN THE GREAT UNCERTAINTY WE FACE, WE MUST ENACT PRUDENT, BUT STRINGENT

BELT-TIGHTENING MEASURES NOW THAT WILL PERMIT US TO OPERATE THE NAVY AND MARINE CORPS THROUGH THE REST OF THIS FISCAL YEAR IF THE CR IS EXTENDED. EACH OF THESE STEPS ARE DESIGNED TO BE REVERSIBLE, AT LEAST TO SOME EXTENT, SHOULD CONGRESS PASS AN FY-13 BUDGET. ACCORDINGLY, NAVY AND MARINE CORPS LEADERSHIP HAS ADVISED THE SECRETARY OF DEFENSE THAT THEY ARE CONSIDERING A SERIES OF ACTIONS, EACH SUBJECT TO EXCEPTIONS FOR MISSION-CRITICAL ACTIVITIES.

ACTIONS INCLUDE BUT ARE NOT LIMITED TO:

- CURTAIL ADMINISTRATIVE CONTRACTING SUPPORT SERVICES
- REDUCE TRAVEL
- DELAY ALL DECOMMISSIONINGS AND ANY DISPOSALS OR LAY-UPS
- REDUCE INFORMATION TECHNOLOGY AND ADMINISTRATIVE BUDGETS
- CURTAIL REMAINING FACILITY SUSTAINMENT RESTORATION AND MODERNIZATION PROGRAMS
- CUT FACILITIES SUSTAINMENT, EXCEPT FOR SAFETY OF LIFE
- REDUCE SPENDING ON BASE OPERATING SUPPORT
- CANCEL ANY PLANNED FACILITIES DEMOLITION
- TERMINATE TEMPORARY EMPLOYEES, EXCEPT THOSE SUPPORTING MISSION-CRITICAL ACTIVITIES SUPPORTING THE WARFIGHTER
- IMPLEMENT A CIVILIAN HIRING FREEZE

7. THESE STEPS WILL NOT SOLVE THE PROBLEM COMPLETELY. WE WILL ONLY BE ABLE TO SUSTAIN CURRENT FLEET OPERATIONS. WE WILL NOT BE ABLE TO SUFFICIENTLY MAINTAIN AND RESET OUR FORCES FOR FUTURE OPERATIONS.

8. WITH A YEARLONG CR, THE POTENTIAL FOR CIVILIAN FURLOUGHES EXISTS, BUT ALL DECISIONS IN THAT REGARD WILL BE MADE AT THE DOD LEVEL. WE WILL FOLLOW WHATEVER GUIDANCE WE RECEIVE.

9. THIS GUIDANCE IS PROVIDED FOR YOUR INFORMATION. SHORTLY, YOU WILL BE HEARING SPECIFICS FROM SERVICE LEADERSHIP ABOUT THEIR PLANS FOR THE AMOUNT OF THESE ADJUSTMENTS AND WHAT ACTIONS ARE BEING TAKEN TO LIMIT THE IMPACT ON OUR MILITARY PERSONNEL, CIVILIANS, AND FAMILIES.

10. RELEASED BY RAY MABUS, SECRETARY OF THE NAVY.//

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